



Rio Rico Fire District

822 Pendleton Dr. • Rio Rico • Arizona • 85648
(520) 281-8421 • Fax (520) 281-7670 • www.rioricofire.org

Department of Health Services
Bureau of Emergency Medical Records
Certificate of Necessity and Rates Section
150 N. 18th Avenue, Suite 540
Phoenix, AZ 85007-3248

December 22, 2014

Mr. Todd Jaramillo,

Enclosed you'll find Rio Rico Fire District's (RRFD) ARCR for fiscal year ending June 30th, 2014, along with the audited financial statements for the same fiscal year.

Feel free to contact me with any questions on this matter at 520-761-0110. As always, thanks for all you do. I hope you have a great holiday season!

Sincerely,

Marcela Ceballos
Administrative Manager
Rio Rico Fire District

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AMBULANCE REVENUE and COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

RIO RICO FIRE DISTRICT
Reporting Ambulance Service

Address: 822 PENDLETON DRIVE
City: Rio Rico Zip: 85648

Report Fiscal Year

From: July 1, 2013 To: June 30, 2014
Mo. Day Year Mo. Day Year

I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.

I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.

This report has been prepared using the accrual basis of accounting.

Authorized Signature:  Date: December 19, 2014

Print Name and Title: Les P. Caïd, Fire Chief

Phone: 520-281-8421 x 7501

Mail to:

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

RIO RICO FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2013

TO: June 30, 2014

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	* (2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:		1,077		1,077
2	Number of BLS Billable Transports:		623		623
3	Number of Loaded Billable Miles:		97,247		97,247
4	Waiting Time (Hr. & Min.):		-		-
5	Canceled (Non-Billable) Runs:				67

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue			\$	1,184,191
7	BLS Base Rate Revenue				1,465,005
8	Mileage Charge Revenue				639,348
9	Waiting Charge Revenue				-
10	Medical Supplies Charge Revenue				-
11	Nurses Charge Revenue				-
12	Standby Charge Revenue (Attach Schedule)				-
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE			(Post to Page 3, Line 1)	\$ 3,288,544

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

			** No. of FTE's
14	Management	\$ 290,597	9.0
15	Paramedics and IEMTs	\$ 675,670	27.1
16	Emergency Medical Technician (EMT)	\$ 949,134	38.2
17	Other Personnel	\$ 94,883	4.3
18	Payroll Taxes and Fringe Benefits - All Personnel	\$ 678,746	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	\$ 2,689,030	79

* This column reports only those runs where a contracted discount rate was applied.

** Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

RIO RICO FIRE DISTRICT

FOR THE PERIOD

FROM:

July 1, 2013

TO:

June 30, 2014

SCHEDULE OF REVENUES AND EXPENSES

Line No.	DESCRIPTION		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ 3,288,544
<u>Settlement Amounts:</u>			
2	AHCCCS		659,832
3	Medicare		630,327
4	Subscription Service		-
5	Contractual		143,809
6	Other		8,375
7	Total	(Sum of Lines 2 through 6)	1,442,343
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ 1,846,201
Operating Expenses:			
9	Bad Debt		\$ 324,588
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	2,689,030
11	Professional Services		40,111
12	Travel and Entertainment		10,599
13	Other General Administrative		25,753
14	Depreciation		491,967
15	Rent / Leasing		-
16	Building / Station		51,922
17	Vehicle Expense		139,533
18	Other Operating Expense		261,014
19	Cost of Medical Supplies Charged to Patients		-
20	Interest		11,821
21	Subscription Service Sales Expense		-
22	Total Operating Expense	(Sum of Lines 9 through 21)	4,046,339
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ (2,200,138)
24	Subscription Contract Sales		-
25	Other Operating Revenue	Training, Wildland	141,021
26	Local Supportive Funding		-
27	Other Non-Operating Income	(Attach Schedule)	-
28	Other Non-Operating Expense	(Attach Schedule)	-
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ (2,059,117)
Provision for Income Taxes:			
30	Federal Income Tax		
31	State Income Tax		
32	Total Income Tax	(Line 30, plus Line 31)	-
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	(2,059,117)

RIO RICO FIRE DISTRICT
YEAR ENDED JUNE 30, 2014

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RIO RICO FIRE DISTRICT
YEAR ENDED JUNE 30, 2014

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Independent Auditors' Report

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Governing Board and Management
Rio Rico Fire District
Rio Rico, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Rio Rico Fire District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rio Rico Fire District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter***Required Supplementary Information***

U.S. generally accepted auditing standards require that the management's discussion and analysis, budgetary comparison information and schedule of agent retirement plan's funding process, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of Rio Rico Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Rico Fire District's internal control over financial reporting and compliance.

Beach Fleishman PC

Tucson, Arizona
December 16, 2014

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RIO RICO FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014

As management of the Rio Rico Fire District (the District), we offer readers of these financial statements, this narrative overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. The District understands the importance of transparency in everything we do, and so this discussion and analysis is intended to be an easily readable breakdown of the District's financial activities based on currently known facts, decisions and conditions. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole, which follow this narrative.

FINANCIAL HIGHLIGHTS

The following are the financial highlights of the District for the fiscal year:

- In the government-wide financial statements, the assets of Rio Rico Fire District exceeded its liabilities at the close of the fiscal year by \$3.6 million (net position). Of this amount, \$2.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors and to further the purpose of the District. The District also reported \$69,086 in restricted net position to be used for debt service.
- The District's total net position increased by \$26,130, primarily due to decreases in costs outweighing the decrease in property tax revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2.3 million, an increase of \$103,853 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.3 million, or 38% of total General Fund expenditures, which totaled \$3.5 million for the fiscal year.
- The District's total debt decreased 6.5% during the current fiscal year as the District repaid approximately \$366,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting.

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The **statement of net position** (page 11) presents information on all of the District's assets (resources available for future economic benefit) and liabilities (obligations to be paid in the future), with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **statement of activities** (page 12) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term acquisition and use of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements. Thus, the emphasis is placed on measurable and available financial resources rather than on the net changes in assets. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual government funds: the General Fund, the Capital Projects Fund, and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds, all of which are considered to be major funds of the District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB). There are no non-major governmental funds.

The District adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget and is presented on page 34.

The basic governmental fund financial statements and reconciliations can be found on pages 13 - 16 of his report.

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Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 - 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$3.6 million (net position) as of June 30, 2014. The District's net position increased by \$26,130 for the fiscal year ended June 30, 2014.

By far, the largest portion of net position (\$859,610 or 24%), reflects the District's investment in capital assets (land, buildings and improvements, fire apparatus, and vehicles), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be liquidated to service these liabilities.

The unrestricted net position, totaling \$2,672,171, may be used to meet ongoing obligations of the District to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The following table reflects the condensed Statement of Net Position.

	<u>Governmental Activities</u>		Increase	%
	<u>2014</u>	<u>2013</u>	<u>(decrease)</u>	<u>Change</u>
ASSETS				
Cash and investments	\$ 2,164,237	\$ 2,000,034	\$ 164,203	8%
Other assets	895,351	944,462	(49,111)	-5%
Capital assets, net	6,126,225	6,536,515	(410,290)	-6%
Total assets	<u>9,185,813</u>	<u>9,481,011</u>	<u>(295,198)</u>	<u>-3%</u>
LIABILITIES				
Current liabilities	325,902	399,531	(73,629)	-18%
Noncurrent liabilities	5,259,044	5,506,743	(247,699)	-4%
Total liabilities	<u>5,584,946</u>	<u>5,906,274</u>	<u>(321,328)</u>	<u>-5%</u>
NET POSITION				
Net investment in capital assets	859,610	836,245	23,365	3%
Restricted for debt service	69,086	78,473	(9,387)	-12%
Unrestricted	2,672,171	2,660,019	12,152	0%
Total net position	<u>\$ 3,600,867</u>	<u>\$ 3,574,737</u>	<u>\$ 26,130</u>	<u>1%</u>

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CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets for its governmental type activities as of June 30, 2014 totaled \$6.1 million (net of accumulated depreciation). These assets include land, buildings and improvements, fire apparatus and vehicles, and general fire suppression and emergency medical equipment, as well as information technology and communications equipment.

During the year, the District purchased capital assets of \$81,677, which included a truck and other small equipment.

The District depreciates capital assets, except for land and construction in progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. Additional information on the District's capital assets can be found in the notes to the basic financial statements on page 25.

Changes in Capital Assets

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 6,536,515	\$ 6,375,482
Additions	81,677	772,825
Retirements	(16,000)	(217,270)
Depreciation	<u>(491,967)</u>	<u>(508,802)</u>
Ending balance	\$ 6,126,225	\$ 6,536,515

Long-term Debt - The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2014, the District had total long-term debt outstanding of \$5,266,615. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$440,000. All debt is backed by the full faith and credit of the District. Statutorily, Fire District's in Arizona have the ability to incur bond debt up to 6% of its assessed value.

Additional information regarding the long-term debt of the District can be found in the notes to the financial statements on pages 26-27 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

As property values have continued to decline, tax revenues to the District have subsequently declined. The District has continued to pursue every feasible method of reducing operational costs while providing the highest level of service to the community.

The District's property valuation is expected to decrease for year ending June 30, 2015. Based on Santa Cruz County (SCC) preliminary assessment, we are expecting a decrease in values to be around 4.5% countywide. For next fiscal year, the District adopted a rate 3.11 per \$100 of assessed valuation, keeping the same rate for the fiscal year. Under current statute, the tax rate is limited to \$3.25.

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FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions regarding the report or need additional financial information, please contact the District's administrative office at (520) 281-8421, located at 822 Pendleton Drive, Rio Rico Arizona, 85648.

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Basic Financial Statements

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RIO RICO FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 2,135,067
Cash and investments, restricted	29,170
Receivables:	
Property taxes	399,293
Ambulance, net	469,902
Other	26,156
Land	182,390
Other capital assets, net of accumulated depreciation	<u>5,943,835</u>
Total assets	<u>9,185,813</u>
Liabilities:	
Accounts payable	54,051
Accrued payroll and related benefits	98,928
Noncurrent liabilities:	
Due within one year	172,923
Due in more than one year	<u>5,259,044</u>
Total liabilities	<u>5,584,946</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	859,610
Restricted	69,086
Unrestricted	<u>2,672,171</u>
Total net position	<u>\$ 3,600,867</u>

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RIO RICO FIRE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	<u>Governmental activities</u>
Program expenses:	
Public safety, fire protection and emergency services:	
Administration	\$ 25,753
Communications	109,614
Depreciation	491,967
Insurance	73,646
Other	37,806
Payroll taxes and employee benefits	694,403
Professional services	40,111
Repairs and maintenance	41,978
Salaries and wages	2,081,383
Supplies	34,639
Training and related	8,517
Utilities and station	63,342
Vehicles and equipment	136,382
Interest	<u>284,676</u>
Total program expenses	<u>4,124,217</u>
Program revenues:	
Charges for services	1,647,358
Operating grants and contributions	<u>4,110</u>
Total program revenues	<u>1,651,468</u>
Net program expenses	<u>2,472,749</u>
General revenues:	
Property taxes	2,359,452
Fire district assistance tax	121,748
Investment earnings	641
Other	<u>17,038</u>
Total general revenues	<u>2,498,879</u>
Change in net position	26,130
Net position, beginning of year, as restated	<u>3,574,737</u>
Net position, end of year	<u>\$ 3,600,867</u>

See notes to financial statements.

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RIO RICO FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	Capital projects	Debt service	Total governmental funds
Assets:				
Cash and investments	\$ 1,235,067	\$ 900,000	\$ -	\$ 2,135,067
Cash and investments, restricted	-	22	29,148	29,170
Receivables:				
Property taxes	359,355	-	39,938	399,293
Ambulance, net	469,902	-	-	469,902
Other	26,156	-	-	26,156
Total assets	<u>\$ 2,090,480</u>	<u>\$ 900,022</u>	<u>\$ 69,086</u>	<u>\$ 3,059,588</u>
Liabilities:				
Accounts payable	\$ 54,051	\$ -	\$ -	\$ 54,051
Accrued payroll and related benefits	98,928	-	-	98,928
Total liabilities	<u>152,979</u>	<u>-</u>	<u>-</u>	<u>152,979</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	346,941	-	37,459	384,400
Unavailable revenue - ambulance	267,562	-	-	267,562
Total deferred inflows of resources	<u>614,503</u>	<u>-</u>	<u>37,459</u>	<u>651,962</u>
Commitments and contingencies				
Fund balances:				
Restricted	-	22	31,627	31,649
Committed	-	900,000	-	900,000
Unassigned	1,322,998	-	-	1,322,998
Total fund balances	<u>1,322,998</u>	<u>900,022</u>	<u>31,627</u>	<u>2,254,647</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,090,480</u>	<u>\$ 900,022</u>	<u>\$ 69,086</u>	<u>\$ 3,059,588</u>

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**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2014

Total fund balances - governmental funds	\$ 2,254,647
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,126,225
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	651,962
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(165,352)
Obligations under capital leases	(296,615)
General obligation bonds	<u>(4,970,000)</u>
Net position of governmental activities	<u>\$ 3,600,867</u>

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RIO RICO FIRE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Capital projects	Debt service	Total governmental funds
Revenues:				
Property taxes	\$ 1,957,105	\$ -	\$ 408,763	\$ 2,365,868
Fire district assistance tax	121,748	-	-	121,748
Charges for services	1,644,416	-	-	1,644,416
Grants and contributions	4,110	-	-	4,110
Investment earnings	511	38	92	641
Other	17,038	-	-	17,038
Total revenues	<u>3,744,928</u>	<u>38</u>	<u>408,855</u>	<u>4,153,821</u>
Expenditures:				
Public safety:				
Fire protection and emergency services	2,835,886	-	-	2,835,886
Administration and support	482,103	-	-	482,103
Capital outlay	72,963	8,714	-	81,677
Debt service:				
Principal	100,520	125,106	140,000	365,626
Interest	8,611	2,559	273,506	284,676
Total expenditures	<u>3,500,083</u>	<u>136,379</u>	<u>413,506</u>	<u>4,049,968</u>
Revenues over (under) expenditures	244,845	(136,341)	(4,651)	103,853
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Net change in fund balances	244,845	(136,341)	(4,651)	103,853
Fund balances, beginning of year	<u>1,078,153</u>	<u>1,036,363</u>	<u>36,278</u>	<u>2,150,794</u>
Fund balances, end of year	<u>\$ 1,322,998</u>	<u>\$ 900,022</u>	<u>\$ 31,627</u>	<u>\$ 2,254,647</u>

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RIO RICO FIRE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Net change in fund balances - governmental funds \$ 103,853

Amounts reported for governmental activities in the statement of
activities are different because:

Capital outlays are reported in governmental funds as
expenditures. However, in the statement of activities, the
cost of those capital assets is allocated over their
estimated useful lives as depreciation expense. In the
current period, these amounts are:

Capital outlay	81,677
Depreciation expense	(491,967)

Certain revenues relating to property taxes and ambulance
services in the statement of activities that do not provide
current financial resources are not reported as revenues in
the funds.

(3,474)

Compensated absence expenses reported in the statement
of activities do not require the use of current financial
resources and, therefore, are not reported as expenditures
in governmental funds.

(29,585)

Debt proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term
liabilities in the statement of net position. Repayment of
debt principal is an expenditure in the governmental funds,
but the repayment reduces noncurrent liabilities in the
statement of net position. In the current year, the amount
consists of:

Principal paid	<u>365,626</u>
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Change in net position of governmental activities	<u>\$ 26,130</u>
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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies:

The accounting policies of Rio Rico Fire District (the District) conform to U.S. generally accepted accounting principles applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

Reporting entity:

The District, established in 1976 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District's boundaries.

In accordance with the GASB Statement No. 14, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Government-wide and fund financial statements:

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

The government-wide financial statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include:

- charges to customers for services provided
- grants and contributions

Revenues that are not classified as program revenues, including all taxes and internally dedicated resources, are reported as general revenues.

Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Real and personal property taxes are levied on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Santa Cruz County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

Leases and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources except those required to be accounted for in another fund.

The *capital projects fund* is used to account for financial resources that are restricted, committed or assigned for the acquisition or construction of major capital assets.

The *debt service fund* is used to account for legally restricted tax levies of the District which are used to meet the ongoing debt service requirements.

Estimates:

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and investments:

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. Investments maintained in the Santa Cruz County Investment Pool are carried at cost, which approximates fair value, and can be liquidated as needed.

The District places its cash and investments with various credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and investments.

Investment earnings are comprised primarily of interest earnings only.

Cash and investments, restricted:

Certain proceeds of the District's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies (continued):

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Accounts and property taxes receivables, which have been remitted within 60 days subsequent to year-end, are considered measurable and available and recognized as revenues in the fund financial statements. All other receivables are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the District and become liens against the property on the first day of January preceding assessment and levy.

Federal and state grants and contracts are recorded as receivables and revenues when the related expenditures are incurred. The portion of reimbursement in excess of expenditures are recorded as unearned revenues and amounts not remitted within 60 days subsequent to year-end are recorded as deferred inflows of resources in the fund financial statements.

Capital assets:

Capital assets, which include land, buildings and improvements, fire equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Buildings and improvements	40 years
Fire equipment	3 - 10 years
Vehicles	10 - 15 years

Compensated absences:

It is the District's policy to permit employees to accumulate earned but unused paid time off. A liability is reported for paid time off that the District will pay upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies (continued):

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, proceeds from debt issued are reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances.

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board
- Unassigned – includes positive fund balance within the general fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Description of organization and summary of significant accounting policies (continued):

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Budgetary information:

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the County Treasurer and the County Board of Supervisors no later than the first day of August each year; under statute only the General Fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end.

New accounting pronouncement:

The GASB issued Statement No. 68 Accounting and Financial Reporting for Pensions (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The District provides its employees with pension benefits through multiple employer defined benefit retirement plans administered by either the Arizona State Retirement System (ASRS) or the Public Safety Personnel Retirement System (PSPRS).

Statement No. 68 requires employers participating in plans like ASRS and PSPRS to record their proportionate share, as defined in Statement No. 68, of the plan's unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by ASRS or PSPRS. The requirements of Statement No. 68 to record a portion of the plan's unfunded liability will negatively impact the District's future unrestricted net position. Statement No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding ASRS and PSPRS's current funding status can be found in their respective Comprehensive Annual Financial Report.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

2. Cash and investments:

Cash and investments consist of the following:

Deposits:

Operating accounts	\$ 472,376
--------------------	------------

Investments:

Santa Cruz County Treasurer investment pool	1,662,691
Santa Cruz County Treasurer investment pool - restricted	<u>29,170</u>
	<u>\$ 2,164,237</u>

The Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pool; interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona's counties, cities, towns, school districts and special districts as specified by statute.

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At year-end, deposits with financial institutions have a carrying value of \$472,376 and a bank balance of \$523,483. The difference represents deposits in transit, outstanding checks and other reconciling items at June 30, 2014.

Investments:

Monies levied by the District are invested with the Santa Cruz County Treasurer's Office and pooled with other local governments for investment. The District's investment in the County's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. No oversight is provided for the Santa Cruz County investment pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary.

The District's investments at June 30, 2014 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Santa Cruz County Treasurer's investment pool	Unrated	Not applicable	\$ 1,691,861

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RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

2. Cash and investments (continued):

Investments (continued):

The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk for investments.

Credit risk - The Arizona Revised Statutes have the following requirements for credit risk:

- Commercial Paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
- Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
- Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - the District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of credit risk - The Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that the public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - The Arizona Revised Statutes do not allow foreign investments.

3. Receivables:

	<u>General</u>	<u>Debt service</u>	<u>Total</u>
Property taxes	\$ 359,355	\$ 39,938	\$ 399,293
Ambulance receivables	1,015,565	-	1,015,565
Other	<u>26,156</u>	<u>-</u>	<u>26,156</u>
	1,401,076	39,938	1,441,014
Less allowance for doubtful accounts and contractual adjustments	<u>545,663</u>	<u>-</u>	<u>545,663</u>
	<u>\$ 855,413</u>	<u>\$ 39,938</u>	<u>\$ 895,351</u>

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

4. Capital assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	\$ 182,390	\$ -	\$ -	\$ 182,390
Total capital assets, not depreciated	182,390	-	-	182,390
Capital assets, depreciated:				
Buildings and improvements	4,730,817	6,700	-	4,737,517
Fire equipment	1,533,000	25,133	-	1,558,133
Vehicles	3,565,274	49,844	(16,000)	3,599,118
Total capital assets, depreciated	9,829,091	81,677	(16,000)	9,894,768
Less accumulated depreciation for:				
Buildings and improvements	(755,202)	(127,427)	-	(882,629)
Fire equipment	(1,068,568)	(101,990)	-	(1,170,558)
Vehicles	(1,651,196)	(262,550)	16,000	(1,897,746)
Total accumulated depreciation	(3,474,966)	(491,967)	16,000	(3,950,933)
Total capital assets, depreciated, net	6,354,125	(410,290)	-	5,943,835
Total capital assets, net	\$ 6,536,515	\$ (410,290)	\$ -	\$ 6,126,225

5. General obligation bonds:

Series A (2008):

The District, pursuant to a special bond election, received voter approval to issue up to \$8,000,000 in general obligation debt to construct a training facility, construct and improve fire stations and purchase apparatus. The Series 2008A General Obligation Bonds were issued by the District in the aggregate amount of \$3,835,000. The interest rate ranges from 2.25% to 4.30% and the bonds mature July 1, 2037.

Series B (2011):

The Series 2011B General Obligation Bonds were issued by the District in the aggregate amount of \$1,695,000. The interest rate ranges from 5% to 7% and the bonds mature July 1, 2030.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

5. General obligation bonds (continued):

Future principal and interest payments are as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 145,000	\$ 267,356	\$ 412,356
2016	155,000	260,106	415,106
2017	160,000	253,256	413,256
2018	170,000	246,206	416,206
2019	180,000	237,006	417,006
2020 - 2024	1,025,000	1,037,936	2,062,936
2025 - 2029	1,355,000	709,850	2,064,850
2030 - 2034	1,090,000	328,250	1,418,250
2035 - 2037	690,000	70,000	760,000
	<u>\$ 4,970,000</u>	<u>\$ 3,409,966</u>	<u>\$ 8,379,966</u>

Bond payments are due semi-annually on January 1 and July 1. Prior to June 30, 2014, management had released the July 1, 2014 principal and interest payments of \$252,270, which is held in escrow.

6. Capital leases:

The assets acquired through capital leases are as follows:

Buildings and improvements	\$ 1,000,740
Less accumulated depreciation	<u>252,270</u>
	<u>\$ 748,470</u>

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BEMSTS-CON & RATES

RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

6. Capital leases (continued):

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year ending June 30,	
2015	\$ 31,883
2016	63,766
2017	63,766
2018	63,766
2019	63,766
2020	<u>31,883</u>
Total minimum lease payments	318,830
Less amount representing interest	<u>22,215</u>
Net present value of minimum lease payments	296,615
Less current portion	<u>27,923</u>
	<u><u>\$ 268,692</u></u>

7. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the year ended June 30, 2014 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 135,767	\$ 29,585	\$ -	\$ 165,352	\$ -
General obligation bonds - Series A (2008)	3,515,000	-	(85,000)	3,430,000	85,000
General obligation bonds - Series B (2011)	1,595,000	-	(55,000)	1,540,000	60,000
Capital leases	<u>522,241</u>	<u>-</u>	<u>(225,626)</u>	<u>296,615</u>	<u>27,923</u>
	<u><u>\$ 5,768,008</u></u>	<u><u>\$ 29,585</u></u>	<u><u>\$ (365,626)</u></u>	<u><u>\$ 5,431,967</u></u>	<u><u>\$ 172,923</u></u>

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

8. Line of credit:

On behalf of the District, the Board of Supervisors of Santa Cruz County established a line of credit with JPMorgan Chase Bank, which covers all the Districts in Santa Cruz County. In accordance with the Arizona Revised Statutes, the line of credit can only be drawn on by the County Treasurer in order to pay warrants issued by the District to fund operations prior to the collection of the property tax levy in the current year. Borrowings are limited to 45% of the direct property tax levy. At June 30 of each year, the aggregate obligations outstanding under the line of credit are required to be \$0. The balance on the line at June 30, 2014 was \$0.

9. Ambulance service revenue:

The District provides emergency medical services within the same geographic region as it provides fire prevention and suppression services and interfacility transportation services originating within the Nogales city limits. Revenue from such emergency medical and transportation services are recognized as charges for services. These charges for services are reported at their estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care.

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the year ended June 30, 2014 are as follows:

Ambulance service revenues	\$ 3,287,206
Less contractual adjustments, provision for bad debts and uncompensated services	<u>1,771,487</u>
	<u><u>\$ 1,515,719</u></u>

10. Risk management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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RIO RICO FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

11. Commitments and contingencies:

Intergovernmental agreements:

The District is party to a variety of intergovernmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

Legal proceedings:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

12. Pension plans:

Arizona State Retirement System (ASRS):

Plan Description:

The Arizona State Retirement System (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan that covers nonpublic safety personnel of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing ASRS, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy:

Active members are required to contribute a predetermined percentage of the member's annual covered payroll determined by the plan's actuary. For the year ended June 30, 2014, active ASRS members and the District were required to contribute at the actuarially determined rate of 11.54% (11.30% for retirement and .24% for long-term disability).

The District's contributions to the ASRS for the years ended June 30, 2014, 2013 and 2012 were \$25,081, \$23,496 and \$22,255, which were equal to the required contributions for the year.

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RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

12. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS):

Plan description:

PSPRS is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 4.

Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing the Plan at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding policy:

The Arizona State Legislature establishes and may amend active plan members' contribution rates, as well as the rates applicable to the District.

For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35% of the members' annual covered payroll and the District was required to contribute 12.54%, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.8% of covered payroll.

Actuarial methods and assumptions:

The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuation.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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RIO RICO FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

12. Pension plans (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Actuarial methods and assumptions (continued):

Projections of benefits are based on 1) the plan as understood by the District and plan's members and include the types of benefits in force at the valuation date and 2) the pattern of sharing benefit costs between the District and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for the plan and related benefits and the actuarial assumptions used to establish the fiscal year 2014 contribution requirements are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0% - 9.0%
Payroll growth	5.0%

Annual pension cost:

The District's pension cost for the PSPRS plan for the year ended June 30, 2014 and related information is as follows:

	<u>Pension</u>
Annual pension cost	\$ 187,252
Contributions made	187,252

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RIO RICO FIRE DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,015,602	\$ 2,015,602	\$ 1,957,105	\$ (58,497)
Fire district assistance tax	120,000	120,000	121,748	1,748
Grants and contributions	300,000	300,000	4,110	(295,890)
Charges for services	1,500,000	1,500,000	1,644,416	144,416
Investment earnings	-	-	511	511
Other	8,400	8,400	17,038	8,638
Total revenues	<u>3,944,002</u>	<u>3,944,002</u>	<u>3,744,928</u>	<u>(199,074)</u>
Expenditures:				
Public safety:				
Emergency operations	3,847,502	3,847,502	2,835,886	(1,011,616)
Administration	21,450	21,450	482,103	460,653
Capital outlay	75,050	75,050	72,963	(2,087)
Debt service	-	-	109,131	109,131
Total expenditures	<u>3,944,002</u>	<u>3,944,002</u>	<u>3,500,083</u>	<u>(443,919)</u>
Revenues over expenditures	-	-	244,845	244,845
Other financing sources:				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	244,845	244,845
Fund balance, beginning of year	<u>1,078,153</u>	<u>1,078,153</u>	<u>1,078,153</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,078,153</u>	<u>\$ 1,078,153</u>	<u>\$ 1,322,998</u>	<u>\$ 244,845</u>

NOTE TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

The District prepares its annual budget on the modified accrual basis of accounting. A budgetary comparison schedule for the general fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

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RIO RICO FIRE DISTRICT

SCHEDULE OF FUNDING PROGRESS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2014

Pension - Excluding Health Insurance Subsidy

<u>Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Covered Payroll</u>
2014	\$ 3,455,880	\$ 3,003,127	\$ (452,753)	115.1 %	\$ 1,544,058	0.0 %
2013	3,090,035	2,636,744	(453,291)	117.2 %	1,532,084	0.0 %
2012	2,753,285	2,590,636	(162,649)	106.3 %	1,551,903	0.0 %

Health Insurance Subsidy:

<u>Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Covered Payroll</u>
2014	\$ 121,603	\$ 117,192	\$ (4,411)	104 %	\$ 1,544,058	0.0 %
2013	0	111,938	111,938	0 %	1,532,084	7.3 %
2012	0	102,288	102,288	0 %	1,551,903	6.6 %

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Report on Internal Control and on Compliance

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Governing Board and Management
Rio Rico Fire District
Rio Rico, Arizona

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rio Rico Fire District, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2014-001 and 2014-002).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beach Fleischman PC

Tucson, Arizona
December 16, 2014

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RIO RICO FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

2014-001

Criteria / Condition:

The District is responsible for establishing and maintaining a system of internal control and procedures over the cash receipts process. We noted that one individual receives the checks, stores the checks until a deposit is made, prepares the deposit, and posts payments and write-offs against accounts receivable in the billing system. In addition, reports from the billing system presently do not reconcile with the general ledger system, requiring an immaterial adjustment at year-end.

Recommendation:

We recommend the District keep a log of all incoming receipts (cash and checks). All mail should be opened by someone without access to the billing system or general ledger system. This individual should keep a log of all checks and cash. After checks and cash have been logged in, they can be given to the billing supervisor to obtain all necessary information for posting in the billing system. The individual that performs the weekly deposit should be different than the individual that maintains the receipts log. After the deposit is prepared, the total from the receipts log should be compared to the deposit total. Any discrepancies should be followed up on timely.

During our testing, we also noted that the District does not have a means of depositing cash due to the lack of a nearby location of their bank. As a best practice, we would recommend the District look into opening a bank account with a local banking institution. The new account can be set to sweep into the District main operating account nightly. This will allow the District to actually deposit cash timely.

View of responsible officials:

Management agrees with this finding and is taking steps to implement procedures to address this finding.

2014-002

Criteria / Condition:

The Town is responsible for establishing and maintaining a system of internal control and procedures over the payroll process. We noted two employees did not have approved pay rates in their personnel files; however, documentation of their pay rates was maintained elsewhere. Further, we noted one payroll was not approved in writing.

Recommendation:

We recommend the District maintain consistent documentation in personnel files to prevent the possibility of inaccurate reporting of payroll.

View of responsible officials:

Management agrees with this finding and is taking steps to implement procedures to address this finding.

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Other Report

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Independent Auditors' Report

Governing Board and Management
Rio Rico Fire District
Rio Rico, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Rio Rico Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that Rio Rico Fire District failed to comply with the provisions of section 48-805, subsection B, section 48-806, section 48-807, and section 48-805.02, subsection F as required pursuant to section 48-805.02, subsection G of the Arizona Revised Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the Statute, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Governing Board and management of Rio Rico Fire District and the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

BeachFleischman PC

Tucson, Arizona
December 16, 2014

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